

Dike-New Hartford Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2006

## Table of Contents

	<u>Page</u>	
Officials	1	
Independent Auditor's Report		2-3
Management's Discussion and Analysis		4-11
Basic Financial Statements:	<u>Exhibit</u>	
Government-wide Financial Statements:		
Statement of Net Assets	A	12
Statement of Activities	B	13-14
Government Fund Financial Statements:		
Balance Sheet	C	15
Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets	D	16
Statement of Revenues, Expenditures and Changes in Fund Balances	E	17
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances- Governmental Funds to the Statement of Activities	F	18
Proprietary Fund Financial Statements		
Statement of Net Assets-Nutrition Fund	G	19
Statement of Revenues, Expenses and Changes in Fund Net Assets-Nutrition Fund	H	20
Statement of Cash Flows-Nutrition Fund	I	21
Statement of Revenues, Expenses and Changes in Fund Net Assets-Internal Service	J	22
Statement of Cash Flows-Internal Service	K	23
Notes to Financial Statements		24-31
Required Supplementary Information:		
Budgetary Comparison Schedule of Receipts, Disbursements And Changes in Balances-Budget and Actual-All Governmental Funds and Proprietary Funds		32
Notes to Required Supplementary Information- Budgetary Reporting		33
Other Supplementary Information:	<u>Schedule</u>	
Non-major Special Revenue Funds:		
Combining Balance Sheet	1	34
Combining Schedule of Revenue, Expenditures and Changes In Fund Balance	2	35
Schedule of Changes in Special Revenue Fund-Student Activity Accounts	3	36-37
Schedule of Revenue by Source and Expenditures by Function- All Governmental Funds	4	38
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance with Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards		39-40
Schedule of Findings		41-42

# Dike-New Hartford Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
-------------	--------------	---------------------

### Board of Education

#### (Before September 2005 Election)

Meinard Koop	President	2006
Melissa Hinde	Vice President	2007
Thomas Boe	Board Member	2005
Jerry Nielsen	Board Member	2007
Lance Folkerts	Board Member	*2005
Tom Lizer	Board Member	**2005

### Board of Education

#### (After September 2005 Election)

Melissa Hinde	President	2007
Jerry Nielsen	Vice President	2007
Meinard Koop	Board Member	2006
Thomas Boe	Board Member	2008
Tom Lizer	Board Member	2008

### School Officials

Lindsey Beecher	Superintendent	2006
Don Graves	District Secretary/Treasurer	2006
Jane Christensen	District Assistant Treasurer	2006
Julie Merfeld	District Business Manager	2006
Swisher & Cohrt	Attorney	2006

\* Resigned May 2005

\*\* Appointed by Board

## Independent Auditor's Report

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District, Dike, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.

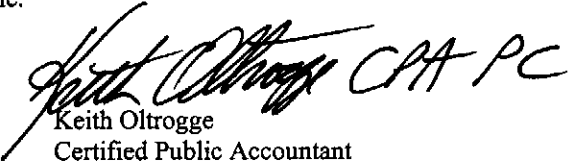
I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated August 11, 2006 on my consideration of Dike-New Hartford Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 11 and 32 through 33 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Dike-New Hartford Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC  
Keith Oltrogge  
Certified Public Accountant

August 11, 2006

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

Dike-New Hartford Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### **2006 FINANCIAL HIGHLIGHTS**

- General Fund revenues increased from \$5,884,221 in fiscal 2005 to \$6,033,211 in fiscal 2006, while General Fund expenditures increased from \$5,740,386 in fiscal 2005 to \$6,075,329 in fiscal 2006. The District's General Fund balance decreased from \$1,185,800 in fiscal 2005 to \$1,113,921 in fiscal 2006, a 6% decrease.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits. One reason the General Fund balance decreased is because the negotiated salary and benefits settlement was more than the District's increase in General Fund revenue for fiscal 2006.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 19.6% in 2005 to 17.14% in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### **USING THIS ANNUAL REPORT**

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Dike-New Hartford Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Dike-New Hartford Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Dike-New Hartford Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Dike-New Hartford Community School District Annual Financial Report**

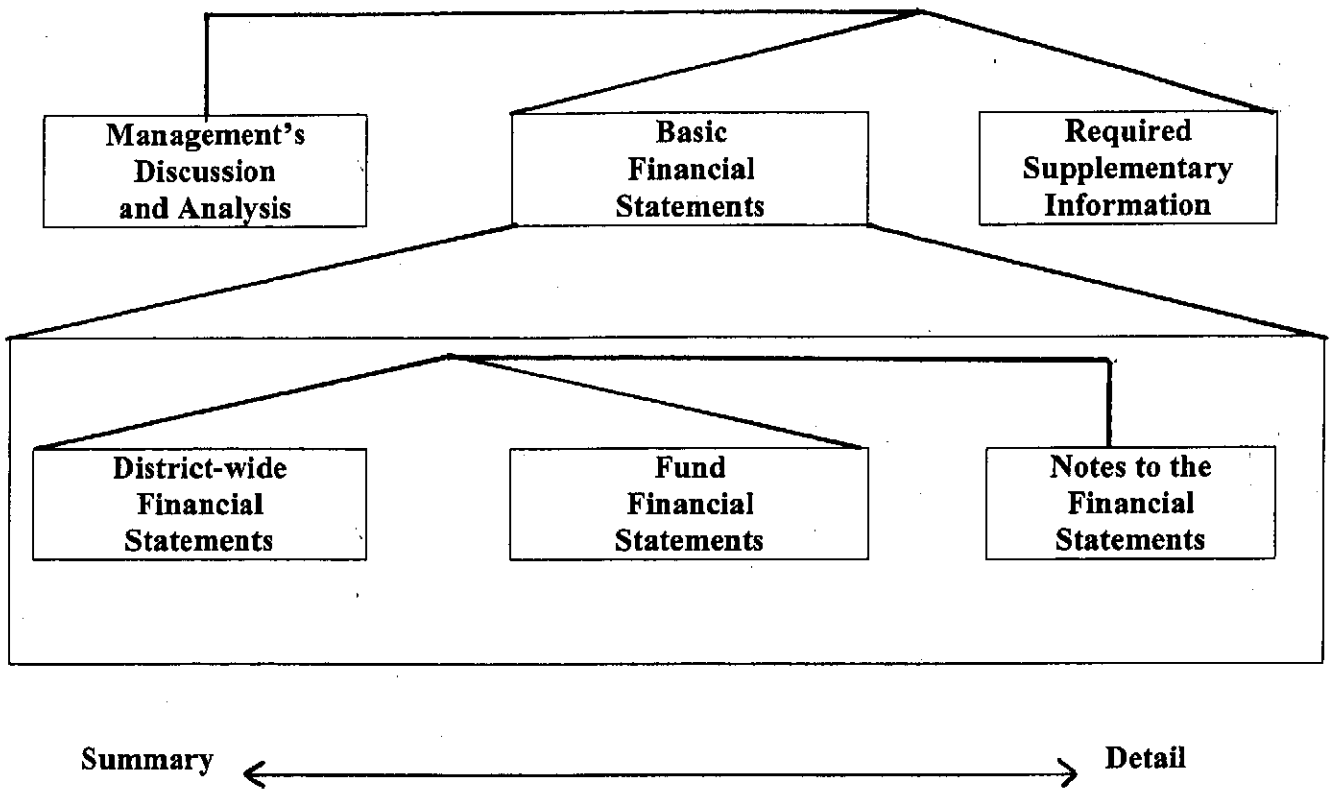


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District's Internal Service Fund, another type of proprietary fund, is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis. The District currently has one Enterprise Fund, the School Nutrition Fund, and one Internal Service Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$9,402,774	\$4,817,143	\$196,760	\$186,295	\$9,599,534	\$5,003,438	\$4,596,096
Capital assets	1,655,672	1,634,286	15,539	16,389	1,671,211	1,650,675	20,536
Total assets	\$11,058,446	\$6,451,429	\$212,299	\$202,684	\$11,270,745	\$6,654,113	\$4,616,632
Long-term liabilities	\$5,095,112	\$724,016	\$-	\$-	\$5,095,112	\$724,016	\$4,371,096
Other liabilities	3,042,783	3,043,599	7,270	3,729	3,050,053	3,047,328	2,725
Total liabilities	\$8,137,895	\$3,767,615	\$7,270	\$3,729	\$8,145,165	\$3,771,344	\$4,373,821
Net assets:							
Invested in capital assets, net of related debt	-\$3,409,328	\$944,286	\$15,539	\$16,389	-\$3,393,789	\$960,675	-\$4,354,464
Restricted	454,038	612,922	-	-	454,038	612,922	-158,884
Unrestricted	5,875,841	1,126,606	189,490	182,566	6,065,331	1,309,172	4,756,159
Total net assets	\$2,920,551	\$2,683,814	\$205,029	\$198,955	\$3,125,580	\$2,882,769	\$242,811

The District's combined net assets increased by nearly 8%, or \$242,811, over the prior year.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets decreased \$158,884, or 26% over the prior year.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – increased \$4,756,159, of which \$4,455,000 was due from the 2006 bond issuance.

Figure A-4 shows the change in net assets for the years ended June 30, 2006 and 2005.

<p align="center"><b>Figure A-4</b> <b>Changes in Net Assets</b></p>							
	Governmental Activities		Business Type Activities		Total District		Total Change
	2006	2005	2006	2005	2006	2005	2005-06
Revenues:							
Program revenues:							
Charges for service	\$566,055	\$574,135	\$213,549	\$203,341	\$779,604	\$777,476	\$2,128
Operating grants, contributions and restricted interest	626,051	588,050	106,174	102,984	732,225	691,034	41,191
Capital grants, contributions and restricted interest	-	25,000	-	-	-	25,000	-25,000
General revenues:							
Property tax	2,310,462	2,266,453	-	-	2,310,462	2,266,453	44,009
Local option sales and service tax	411,838	221,646	-	-	411,838	221,646	190,192
Unrestricted state grants	3,014,932	2,913,159	-	-	3,014,932	2,913,159	101,773
Unrestricted investment earnings	121,951	52,057	330	235	122,281	52,292	69,989
Other	16,062	4,187	-960	-	15,102	4,187	10,915
Total revenues	\$7,067,351	\$6,644,687	\$319,093	\$306,560	\$7,386,444	\$6,951,247	\$435,197
Program expenses:							
Governmental activities:							
Instruction	\$4,348,861	\$4,151,675	\$12,601	\$2,881	\$4,361,462	\$4,154,556	\$206,906
Support services	2,197,604	1,794,199	-	-	2,197,604	1,794,199	403,405
Non-instructional programs	4,246	6,194	300,418	292,053	304,664	298,247	6,417
Other expenses	279,903	254,566	-	-	279,903	254,566	25,337
Total expenses	\$6,830,614	\$6,206,634	\$313,019	\$294,934	\$7,143,633	\$6,501,568	\$642,065
Change in net assets	\$236,737	\$438,053	\$6,074	\$11,626	\$242,811	\$449,679	-\$206,868

Property tax and unrestricted state grants account for 75% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 96% of the total expenses. Total revenue increased approximately \$435,000 over the prior year. Expenditures increased approximately \$642,000 over the prior year.

#### Governmental Activities

Revenues for governmental activities were \$7,067,351 and expenses were \$6,830,614. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

<p align="center"><b>Figure A-5</b> <b>Total and Net Cost of</b> <b>Governmental Activities</b></p>		
	Total Cost of Services	Net Cost of Services
Instruction	\$4,348,861	\$3,191,728
Support Services	2,197,604	2,162,631
Non-instructional programs	4,246	4,246
Other expenses	279,903	279,903
Totals	\$6,830,614	\$5,638,508

- The cost financed by users of the District's programs was \$566,055.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$626,051.
- The net cost of governmental activities was financed with \$2,722,300 in property and other taxes and \$3,014,932 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$319,093 and expenses were \$313,019. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Dike-New Hartford Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$6,380,996, an increase from last year's ending fund balances of \$1,775,114. \$4,455,000 of this increase was due to the issuance of bonds.

### **Governmental Fund Highlights**

- The General Fund balance decreased from \$1,185,800 to \$1,113,921, due in part to an increase in instructional expenses..
- The Physical Plant and Equipment Levy (PPEL) Fund balance increased from \$71,334 in fiscal 2005 to \$85,112 in fiscal 2006.
- The Capital Projects Fund balance increased from \$236,398 in fiscal 2005 to \$4,855,553 in fiscal 2006. The increase is due to local option sales tax monies collected and the issuance of bonds in the amount of \$4,455,000.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$269,481 more than budgeted receipts, a variance of 4%. The most significant variance resulted from the District receiving more in local revenue than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

In spite of the District's budgetary practice, the certified budget was exceeded in the support services functional area due to the timing of expenditures at year-end without sufficient time to amend the certified budget.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$1.67 million, net of accumulated depreciation, in a broad range of capital assets, including buildings, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 1% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$197,084.

The original cost of the District's capital assets was \$9.02 million. Governmental funds account for \$8.98 million, with the remainder of \$0.04 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$100,000	\$100,000	\$-	\$-	\$100,000	\$100,000	\$-
Buildings	1,107,541	1,125,062	-	-	1,107,541	1,125,062	-17,521
Improvements other than buildings	20,728	22,066	-	-	20,728	22,066	-1,338
Furniture and equipment	427,403	387,158	15,539	16,389	442,942	403,547	39,395
Totals	\$1,655,672	\$1,634,286	\$15,539	\$16,389	\$1,671,211	\$1,650,675	\$20,536

### Long-Term Debt

At June 30, 2006, the District had \$5,095,112 in general obligation and other long-term debt outstanding. This represents an increase of approximately 704% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Outstanding Long-Term Obligations		
	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
General obligation bonds	\$5,065,000	\$690,000	\$4,375,000
Early retirement	30,112	34,016	-3,904
Totals	\$5,095,112	\$724,016	\$4,371,096

## CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Julie Merfeld, Business Manager, Dike-New Hartford Community School District, 330 Main Street, Dike IA 50624.

## **Basic Financial Statements**

## Dike-New Hartford Community School District

## Statement of Net Assets

June 30, 2006

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
Other	\$ 7,142,222	\$ 190,550	\$ 7,332,772
Receivables:			
Property tax:			
Delinquent	28,469	-	28,469
Succeeding year	2,170,332	-	2,170,332
Accounts	610	1,465	2,075
Due from other governments	61,141	-	61,141
Inventories	-	4,745	4,745
Capital assets, net of accumulated depreciation	1,655,672	15,539	1,671,211
<b>Total Assets</b>	<b>\$ 11,058,446</b>	<b>\$ 212,299</b>	<b>\$ 11,270,745</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	\$ 122,026	\$ -	\$ 122,026
Accounts payable	203,603	4,459	208,062
Salaries and benefits payable	525,817	-	525,817
Accrued interest payable	21,005	-	21,005
Deferred revenue-succeeding year property tax	2,170,332	-	2,170,332
Deferred revenue-other	-	2,811	2,811
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	85,000	-	85,000
Early retirement	15,191	-	15,191
Portion due after one year:			
General obligation bonds payable	4,980,000	-	4,980,000
Early retirement	14,921	-	14,921
<b>Total Liabilities</b>	<b>\$ 8,137,895</b>	<b>\$ 7,270</b>	<b>\$ 8,145,165</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ -3,409,328	\$ 15,539	\$ -3,393,789
Restricted for:			
Management levy	6,095	-	6,095
Debt service	142,659	-	142,659
Other special revenue purposes	232,656	-	232,656
Other reserved	72,628	-	72,628
Unrestricted	5,875,841	189,490	6,065,331
<b>Total Net Assets</b>	<b>\$ 2,920,551</b>	<b>\$ 205,029</b>	<b>\$ 3,125,580</b>

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Expenses	Charges for Services	Program Revenues	
			Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
<b><u>Functions/Programs</u></b>				
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,881,058	\$ 245,060	\$ 505,967	\$ -
Special instruction	729,636	39,083	106,375	-
Other instruction	738,167	254,230	6,418	-
	<u>\$ 4,348,861</u>	<u>\$ 538,373</u>	<u>\$ 618,760</u>	<u>\$ -</u>
<b>Support Services:</b>				
Student services	\$ 135,738	\$ -	\$ 4,714	\$ -
Instructional staff services	259,327	-	-	-
Administration services	919,843	-	-	-
Operation and maintenance of plant services	548,143	260	2,577	-
Transportation services	334,553	27,422	-	-
	<u>\$ 2,197,604</u>	<u>\$ 27,682</u>	<u>\$ 7,291</u>	<u>\$ -</u>
<b>Non-instructional programs</b>	<u>\$ 4,246</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Expenditures:</b>				
Facilities acquisition	\$ -	\$ -	\$ -	\$ -
Long-term debt interest	40,157	-	-	-
AEA flow-through	239,746	-	-	-
	<u>\$ 279,903</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Total Governmental Activities</b>	<u>\$ 6,830,614</u>	<u>\$ 566,055</u>	<u>\$ 626,051</u>	<u>\$ -</u>
<b>Business Type Activities:</b>				
<b>Non-Instructional Programs:</b>				
Food service operations	\$ 300,418	\$ 213,549	\$ 106,174	\$ -
<b>Instructional Program:</b>				
Internal service	12,601	-	-	-
<b>Total Business Type Activities</b>	<u>\$ 313,019</u>	<u>\$ 213,549</u>	<u>\$ 106,174</u>	<u>\$ -</u>
<b>Total</b>	<u>\$ 7,143,633</u>	<u>\$ 779,604</u>	<u>\$ 732,225</u>	<u>\$ -</u>



Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-2,130,031	\$	-	\$ -2,130,031
	-584,178		-	-584,178
	-477,519		-	-477,519
\$	-3,191,728	\$	-	\$ -3,191,728
\$	-131,024	\$	-	\$ -131,024
	-259,327		-	-259,327
	-919,843		-	-919,843
	-545,306		-	-545,306
	-307,131		-	-307,131
\$	-2,162,631	\$	-	\$ -2,162,631
\$	-4,246	\$	-	\$ -4,246
\$	-	\$	-	\$ -
	-40,157		-	-40,157
	-239,746		-	-239,746
\$	-279,903	\$	-	\$ -279,903
\$	-5,638,508	\$	-	\$ -5,638,508
\$	-	\$	19,305	\$ 19,305
	-		-12,601	-12,601
\$	-	\$	6,704	\$ 6,704
\$	-5,638,508	\$	6,704	\$ -5,631,804

**Dike-New Hartford Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
<b>Total General Revenues</b>			
<b>Change in net assets</b>			
<b>Net assets beginning of year</b>			
<b>Net Assets End of Year</b>			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

---

Governmental Activities	Business Type Activities	Total
\$ 2,093,564	\$ -	\$ 2,093,564
100,266	-	100,266
116,632	-	116,632
411,838	-	411,838
3,014,932	-	3,014,932
121,951	330	122,281
16,062	-960	15,102
<hr/>		
\$ 5,875,245	\$ -630	\$ 5,874,615
<hr/>		
\$ 236,737	\$ 6,074	\$ 242,811
2,683,814	198,955	2,882,769
<hr/>		
\$ 2,920,551	\$ 205,029	\$ 3,125,580
<hr/>		

## Dike-New Hartford Community School District

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Capital Projects	Non-major Special Revenue	Total
<b>Assets</b>				
Cash and Pooled Investments:				
Other	\$ 1,805,713	\$ 4,905,089	\$ 431,420	\$ 7,142,222
Receivables:				
Property Tax:				
Delinquent	23,833	-	4,636	28,469
Succeeding year	1,735,825	-	434,507	2,170,332
Accounts	610	-	-	610
Due from other governments	36,504	24,621	16	61,141
<b>Total Assets</b>	<b>\$ 3,602,485</b>	<b>\$ 4,929,710</b>	<b>\$ 870,579</b>	<b>\$ 9,402,774</b>
<b>Liabilities and Fund Balances</b>				
Liabilities:				
Excess of warrants issued over bank balance	\$ 122,026	\$ -	\$ -	\$ 122,026
Accounts payable	104,896	74,157	24,550	203,603
Salaries and benefits payable	525,817	-	-	525,817
Deferred Revenue:				
Succeeding year property tax	1,735,825	-	434,507	2,170,332
Total Liabilities	\$ 2,488,564	\$ 74,157	\$ 459,057	\$ 3,021,778
Fund Balances:				
Reserved for debt service	\$ -	\$ -	\$ 142,659	\$ 142,659
Other reserved	72,628	-	-	72,628
Unreserved	1,041,293	4,855,553	268,863	6,165,709
Total Fund Balances	\$ 1,113,921	\$ 4,855,553	\$ 411,522	\$ 6,380,996
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,602,485</b>	<b>\$ 4,929,710</b>	<b>\$ 870,579</b>	<b>\$ 9,402,774</b>

**Dike-New Hartford Community School District**  
**Reconciliation of the Balance Sheet – Governmental Funds**  
**To the Statement of Net Assets**

**June 30, 2006**

<b>Total fund balances of governmental funds (page 15)</b>	<b>\$ 6,380,996</b>
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	1,655,672
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-21,005
Long-term liabilities, including bonds and notes payable and early retirement, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-5,095,112</u>
<b>Net assets of governmental activities (page 12)</b>	<b><u>\$ 2,920,551</u></b>

## Dike-New Hartford Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2006

	General	Capital Projects	Non-Major Special Revenue	Total
Revenues:				
Local Sources:				
Local tax	\$ 1,973,455	\$ 411,838	\$ 337,007	\$ 2,722,300
Tuition	226,198	-	-	226,198
Other	162,871	48,230	266,530	477,631
Intermediate sources	-	-	-	-
State sources	3,505,264	-	296	3,505,560
Federal sources	135,423	-	-	135,423
Total Revenues	\$ 6,003,211	\$ 460,068	\$ 603,833	\$ 7,067,112
Expenditures:				
Current:				
Instruction:				
Regular instruction	\$ 2,818,741	\$ -	\$ 28,259	\$ 2,847,000
Special instruction	716,836	-	-	716,836
Other instruction	514,770	-	221,970	736,740
	\$ 4,050,347	\$ -	\$ 250,229	\$ 4,300,576
Support Services:				
Student services	\$ 135,738	\$ -	\$ -	\$ 135,738
Instructional staff services	254,335	-	4,992	259,327
Administration services	646,124	250,093	22,918	919,135
Operation and maintenance of plant services	507,393	-	42,085	549,478
Transportation services	241,269	-	104,593	345,862
	\$ 1,784,859	\$ 250,093	\$ 174,588	\$ 2,209,540
Non-instructional programs	\$ 377	\$ -	\$ 3,869	\$ 4,246
Other Expenditures:				
Facilities acquisition	\$ -	\$ 45,720	\$ 15,919	\$ 61,639
Long-Term Debt:				
Fee	-	100	775	875
Principal	-	-	80,000	80,000
Interest	-	-	19,847	19,847
AEA flow-through	239,746	-	-	239,746
	\$ 239,746	\$ 45,820	\$ 116,541	\$ 402,107
Total Expenditures	\$ 6,075,329	\$ 295,913	\$ 545,227	\$ 6,916,469
Excess (deficiency) of revenues over (under) expenditures	\$ -72,118	\$ 164,155	\$ 58,606	\$ 150,643
Other Financing Sources (Uses):				
Sale of equipment and materials	239	-	-	239
Issuance of bonds	-	4,455,000	-	4,455,000
Net change in fund balances	\$ -71,879	\$ 4,619,155	\$ 58,606	\$ 4,605,882
Fund balances beginning of year	1,185,800	236,398	352,916	1,775,114
Fund Balances End of Year	\$ 1,113,921	\$ 4,855,553	\$ 411,522	\$ 6,380,996

See notes to financial statements.

**Dike-New Hartford Community School District**

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2006**

**Net change in fund balances – total governmental funds (page 17)** \$ 4,605,882

*Amounts reported for governmental activities in the Statement of Activities are  
different because:*

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 218,470	
Depreciation expense	<u>-197,084</u>	21,386

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -4,455,000	
Repaid	<u>80,000</u>	-4,375,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

-19,435

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		<u>3,904</u>
------------------	--	--------------

**Change in Net Assets of Governmental Activities (page 14)** **\$ 236,737**

## Dike-New Hartford Community School District

Statement of Net Assets  
Proprietary Funds

June 30, 2006

	School Nutrition	Internal Service	Total
<b>Assets</b>			
Cash and cash equivalents	\$ 87,983	\$ 102,567	\$ 190,550
Accounts receivable	1,465	-	1,465
Inventories	4,745	-	4,745
Capital assets, net of accumulated depreciation	15,539	-	15,539
<b>Total Assets</b>	<b>\$ 109,732</b>	<b>\$ 102,567</b>	<b>\$ 212,299</b>
<b>Liabilities</b>			
Accounts payable	\$ 4,459	\$ -	\$ 4,459
Deferred revenue	2,811	-	2,811
<b>Total Liabilities</b>	<b>\$ 7,270</b>	<b>\$ -</b>	<b>\$ 7,270</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 15,539	\$ -	\$ 15,539
Unrestricted	86,923	102,567	189,490
<b>Total Net Assets</b>	<b>\$ 102,462</b>	<b>\$ 102,567</b>	<b>\$ 205,029</b>



**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 213,549
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 97,978
Benefits	30,611
Purchased services	3,466
Supplies	165,264
Depreciation	3,099
Total operating expenses	<u>\$ 300,418</u>
Operating loss	<u>\$ -86,869</u>
Non-operating revenues:	
State sources	\$ 4,178
Federal sources	101,996
Interest income	330
Total non-operating revenues	<u>\$ 106,504</u>
Non-operating expense:	
Loss on disposal of assets	<u>\$ -960</u>
Change in net assets	\$ 18,675
Net assets beginning of year	<u>83,787</u>
Net Assets End of Year	<u>\$ 102,462</u>

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 212,770
Cash paid to employees for services	-128,590
Cash paid to suppliers for goods or services	-145,753
Net cash used by operating activities	<u>\$ -61,573</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 4,178
Federal grants received	80,133
Net cash provided by non-capital financing activities	<u>\$ 84,311</u>
Cash flows from financing activities:	
Purchase of equipment	<u>\$ -635</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 330</u>
Net increase in cash and cash equivalents	\$ 22,433
Cash and cash equivalents beginning of year	<u>65,550</u>
Cash and Cash Equivalents End of Year	<u>\$ 87,983</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	.\$ -86,869
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	21,863
Depreciation	3,099
(Increase) in inventories	-368
(Increase) in accounts receivable	-265
Increase in accounts payable less equipment in accounts payable	1,036
(Decrease) in deferred revenue	-69
Net Cash Used by Operating Activities	<u>\$ -61,573</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received \$21,863 of federal commodities.

**Dike-New Hartford Community School District**  
**Statement of Revenues, Expenses and Changes in Fund Net Assets**  
**Proprietary Fund**  
**Year Ended June 30, 2006**

	<u>Internal Service</u>
Operating revenues:	
Local sources:	
Other revenue	<u>\$ -</u>
Operating expenses:	
Instruction:	
Benefits	<u>\$ 12,601</u>
Operating loss	<u>\$ -12,601</u>
Change in net assets	<u>\$ -12,601</u>
Net assets beginning of year	<u>115,168</u>
Net Assets End of Year	<u>\$ 102,567</u>

## Dike-New Hartford Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	Internal Service
Cash flows from operating activities:	
Cash received from collections	\$ -
Cash payments for employee benefits	-12,601
Net cash used by operating activities	<u>\$ -12,601</u>
Net decrease in cash and cash equivalents	\$ -12,601
Cash and cash equivalents beginning of year	<u>115,168</u>
Cash and Cash Equivalents End of Year	<u>\$ 102,567</u>
<b>Reconciliation of operating income to net cash provided by operating activities:</b>	
Operating loss	\$ -12,601
Adjustments to reconcile operating income to net cash used by operating activities	-
Net Cash Used by Operating Activities	<u>\$ -12,601</u>
<b>Reconciliation of cash and cash equivalents at year end to specific assets included on combined balance sheet:</b>	
Current Assets:	
Cash	<u>\$ 102,567</u>

## **Dike-New Hartford Community School District**

### **Notes to Financial Statements**

**June 30, 2006**

#### **(1) Summary of Significant Accounting Policies**

Dike-New Hartford Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the Cities of Dike and New Hartford, Iowa and portions of the predominately agricultural territories in Butler, Grundy and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis. Facilities are located in New Hartford for Grades K-8. Grades K-6 and Grades 9-12 attend the Dike attendance centers.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### **A. Reporting Entity**

For financial reporting purposes, Dike-New Hartford Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Dike-New Hartford Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the County Assessor's Conference Board.

##### **B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund is used to account for all resources used in the acquisition and construction of capital facilities.

The District reports the following major proprietary funds:

The School Nutrition Fund is used to account for the food service operations of the District.

The Internal Service Fund is utilized to account for the financing of goods or services provided by one department or agency to other departments or agencies of a government, or to other governments, on a cost-reimbursement basis.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary funds of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Liabilities and Fund Equity**

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

**Capital Assets** – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

**Salaries and Benefits Payable** – Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

**Deferred Revenue** – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

**Long-term Liabilities** – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

**Fund Equity** – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

**Restricted Net Assets** – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.



E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2006, expenditures in the support services functional area exceeded the amount budgeted.

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	<u>\$ 2,577,879</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit risk. The investments in the Iowa Schools Joint Investment Trust were rated Aaa by Moody's Investors Service.

(3) **Iowa School Cash Anticipation Program (ISCAP)**

The District did not participate in ISCAP for the 2005-2006 year.

(4) **Capital Assets**

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 100,000	\$ -	\$ -	\$ 100,000
Total capital assets not being depreciated	\$ 100,000	\$ -	\$ -	\$ 100,000
Capital assets being depreciated:				
Buildings	\$ 4,807,024	\$ 30,550	\$ -	\$ 4,837,574
Improvements other than buildings	632,588	-	-	632,588
Furniture and equipment	3,383,589	187,920	65,374	3,506,135
Total capital assets being depreciated	\$ 8,823,201	\$ 218,470	\$ 65,374	\$ 8,976,297
Less accumulated depreciation for:				
Buildings	\$ 3,681,962	\$ 48,071	\$ -	\$ 3,730,033
Improvements other than buildings	610,522	1,338	-	611,860
Furniture and equipment	2,996,431	147,675	65,374	3,078,732
Total accumulated depreciation	\$ 7,288,915	\$ 197,084	\$ 65,374	\$ 7,420,625
Total capital assets being depreciated, net	\$ 1,534,286	\$ 21,386	\$ -	\$ 1,555,672
Governmental Activities Capital Assets, Net	\$ 1,634,286	\$ 21,386	\$ -	\$ 1,655,672
	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 41,623	\$ 3,209	\$ 2,095	\$ 42,737
Less accumulated depreciation	25,234	3,099	1,135	27,198
Business Type Activities Capital Assets, Net	\$ 16,389	\$ 110	\$ 960	\$ 15,539
Depreciation expense was charged to the following functions:				
Governmental Activities:				
Instruction:				
Regular				\$ 85,664
Special				12,800
Other				1,427
Support services:				
Administration				8,365
Operation and maintenance of plant				15,172
Transportation				73,656
				\$ 197,084
Unallocated				-
Total Depreciation Expense – Governmental Activities				\$ 197,084
Business Type Activities:				
Food service operations				\$ 3,099

(5) **Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 690,000	\$ 4,455,000	\$ 80,000	\$ 5,065,000	\$ 85,000
Early retirement	34,016	15,441	19,345	30,112	15,191
Total	\$ 724,016	\$ 4,470,441	\$ 99,345	\$ 5,095,112	\$ 100,191

Early Retirement

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age fifty-five and must have completed twenty years of continuous service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is based on the current year salary schedule. The payout will be calculated as the difference between the employee's current salary schedule placement and Step 4 of Lane A, excluding supplemental assignment pay. Early retirement expenditures for the year ended June 30, 2006 totaled \$19,345.

General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

2003 Bonds

Year Ending June 30,	Principal	Interest	Total
2007	\$ 85,000	\$ 18,168	\$ 103,168
2008	90,000	16,340	106,340
2009	90,000	14,135	104,135
2010	90,000	11,570	101,570
2011	100,000	8,780	108,780
2012	100,000	5,430	105,430
2013	55,000	1,980	56,980
Total	\$ 610,000	\$ 76,403	\$ 686,403

<u>2006 Bonds</u>			
Year Ending			
June 30,	Principal	Interest	Total
2007	\$ -	\$ 217,181	\$ 217,181
2008	-	200,475	200,475
2009	-	200,475	200,475
2010	45,000	200,475	245,475
2011	75,000	198,450	273,450
2012	85,000	195,075	280,075
2013	165,000	191,250	356,250
2014	265,000	183,825	448,825
2015	275,000	171,900	446,900
2016	290,000	159,525	449,525
2017	300,000	146,475	446,475
2018	315,000	132,975	447,975
2019	330,000	118,800	448,800
2020	345,000	103,950	448,950
2021	360,000	88,425	448,425
2022	375,000	72,225	447,225
2023	390,000	55,350	445,350
2024	410,000	37,800	447,800
2025	430,000	19,350	449,350
Total	\$ 4,455,000	\$ 2,693,981	\$ 7,148,981

**(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$197,071, \$191,606 and \$188,581, respectively, equal to the required contributions for each year.

**(7) Risk Management**

Dike-New Hartford Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

**(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$239,746 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

**(9) Construction Commitment**

The District has entered into contracts totaling approximately \$5.5 million for the construction of a new auditorium and classroom additions in Dike, and classroom additions in New Hartford. The 2006 bond issued for \$4,455,000 will be used, along with a local option sales tax revenue bond to be issued next year, for the projects.

## **Required Supplementary Information**

**Dike-New Hartford Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Funds**

**Required Supplementary Information**

**Year Ended June 30, 2006**

	Governmental Funds Actual	Proprietary Funds Actual
Receipts:		
Local sources	\$ 3,426,129	\$ 212,919
Intermediate sources	-	-
State sources	3,505,560	4,178
Federal sources	135,423	101,996
Total Receipts	<u>\$ 7,067,112</u>	<u>\$ 319,093</u>
Disbursements:		
Instruction	\$ 4,300,576	\$ -
Support services	2,209,540	-
Non-instructional programs	4,246	300,418
Other expenditures	402,107	-
Total Disbursements	<u>\$ 6,916,469</u>	<u>\$ 300,418</u>
Excess (deficiency) of receipts over (under) disbursements	\$ 150,643	\$ 18,675
Other financing sources, net	<u>4,605,882</u>	<u>-</u>
Excess (deficiency) of receipts and other financing sources over (under) disbursements and other financing uses	\$ 4,756,525	\$ 18,675
Balances beginning of year	<u>1,775,114</u>	<u>83,787</u>
Balances End of Year	<u>\$ 6,531,639</u>	<u>\$ 102,462</u>

See accompanying independent auditor's report.

	Total Actual	Budgeted Amounts Final	Final To Actual Variance
\$	3,639,048	\$ 3,353,928	\$ 285,120
	-	-	-
	3,509,738	3,521,796	-12,058
	237,419	241,000	-3,581
\$	7,386,205	\$ 7,116,724	\$ 269,481
\$	4,300,576	\$ 4,553,356	\$ 252,780
	2,209,540	1,890,200	-319,340
	304,664	321,200	16,536
	402,107	809,444	407,337
\$	7,216,887	\$ 7,574,200	\$ 357,313
\$	169,318	\$ -457,476	\$ 626,794
	4,605,882	1,500	4,604,382
\$	4,775,200	\$ -455,976	\$ 5,231,176
	1,858,901	1,277,081	581,820
\$	6,634,101	\$ 821,105	\$ 5,812,996

**Dike-New Hartford Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2006**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, expenditures in the support services function exceeded the amount budgeted.



## **Other Supplementary Information**

## Dike-New Hartford Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Assets</b>					
Cash and pooled investments	\$ 34,485	\$ 151,980	\$ 103,666	\$ 141,289	\$ 431,420
Receivables:					
Property Tax:					
Delinquent	1,716	-	1,554	1,366	4,636
Succeeding year	110,000	-	145,358	179,149	434,507
Due from other governments	6	-	6	4	16
<b>Total Assets</b>	<b>\$ 146,207</b>	<b>\$ 151,980</b>	<b>\$ 250,584</b>	<b>\$ 321,808</b>	<b>\$ 870,579</b>
<b>Liabilities &amp; Fund Equity</b>					
Liabilities:					
Accounts payable	\$ -	\$ 4,436	\$ 20,114	\$ -	\$ 24,550
Deferred Revenue:					
Succeeding year property tax	110,000	-	145,358	179,149	434,507
Total Liabilities	\$ 110,000	\$ 4,436	\$ 165,472	\$ 179,149	\$ 459,057
Fund Equity:					
Reserved fund balances	\$ -	\$ -	\$ -	\$ 142,659	\$ 142,659
Unreserved fund balances	36,207	147,544	85,112	-	268,863
Total Fund Balance	\$ 36,207	\$ 147,544	\$ 85,112	\$ 142,659	\$ 411,522
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 146,207</b>	<b>\$ 151,980</b>	<b>\$ 250,584</b>	<b>\$ 321,808</b>	<b>\$ 870,579</b>

## Dike-New Hartford Community School District

**Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds**

Year Ended June 30, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Debt Service	Total
<b>Revenues:</b>					
Local Sources:					
Local tax	\$ 120,109	\$ -	\$ 116,632	\$ 100,266	\$ 337,007
Other	4,598	247,832	2,923	11,177	266,530
State sources	106	-	99	91	296
Federal sources	-	-	-	-	-
Total Revenues	\$ 124,813	\$ 247,832	\$ 119,654	\$ 111,534	\$ 603,833
<b>Expenditures:</b>					
Current:					
Instruction:					
Regular instruction	\$ 28,259	\$ -	\$ -	\$ -	\$ 28,259
Other instruction	-	221,970	-	-	221,970
Support services:					
Instructional staff services	-	-	4,992	-	4,992
Administration services	6,963	15,955	-	-	22,918
Operation and maintenance of plant services	40,076	2,009	-	-	42,085
Transportation services	19,628	-	84,965	-	104,593
Non-instructional programs	3,869	-	-	-	3,869
Other expenditures:					
Facilities acquisition	-	-	15,919	-	15,919
Long-term debt:					
Fee	-	-	-	775	775
Principal	-	-	-	80,000	80,000
Interest	-	-	-	19,847	19,847
Total Expenditures	\$ 98,795	\$ 239,934	\$ 105,876	\$ 100,622	\$ 545,227
Excess (deficiency) of revenues over (under) expenditures	\$ 26,018	\$ 7,898	\$ 13,778	\$ 10,912	\$ 58,606
Fund balances beginning of year	10,189	139,646	71,334	131,747	352,916
Fund Balances End of Year	\$ 36,207	\$ 147,544	\$ 85,112	\$ 142,659	\$ 411,522

See accompanying independent auditor's report.

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Art Club	\$ 93	\$ -	\$ -	\$ -	\$ 93
Annual	470	6,894	7,364	-	-
Athletics	21,577	1,000	2,959	-	19,618
Band uniforms	537	-	93	-	444
Band	1,519	3,948	3,931	-	1,536
Interest income	14,485	7,371	15,098	-	6,758
Vocal music	5,544	6,018	5,567	-	5,995
Musical	2,340	1,859	1,876	-	2,323
Music trip	5,169	10,227	5,872	-	9,524
Cheerleaders	3,446	1,806	2,983	-	2,269
Speech	1,026	-	635	-	391
Drama	648	-	-65	-	713
Cross Country	-	1,340	1,340	-	-
Tennis	-	110	110	-	-
Golf	-	6	6	-	-
Boys basketball	-	4,507	4,507	-	-
Football	-	23,155	23,155	-	-
Baseball	-	2,927	2,927	-	-
Boys track	-	4,348	4,348	-	-
Wrestling	-	4,864	4,864	-	-
Girls basketball	-	5,030	5,030	-	-
Volleyball	-	4,805	4,805	-	-
Softball	-	1,762	1,762	-	-
Girls track	-	5,587	5,587	-	-
Student Council	1,686	5,568	6,291	-	963
Junior/Senior Prom	324	7,495	7,020	-	799
Concessions	108	34,396	32,956	-	1,548
National Honor Society	3,522	3,033	3,342	-	3,213
TAG-Talented & Gifted	719	-	-	-	719
Vending machine	430	2,711	2,384	-	757
Athletic towel service	7,689	722	1,078	-	7,333
Dance	1,211	-	1,000	-	211
Secondary	1,224	3,066	2,910	-	1,380
Junior High	6,889	12,214	9,020	-	10,083
Dike Elementary	2,319	9,979	10,194	-	2,104
New Hartford Elementary	10,926	5,970	5,282	-	11,614
Thespians	243	72	153	-	162
SADD	52	336	253	-	135
Booster Club	641	18,391	16,060	-	2,972
Track project donations	20,365	300	-1,000	-	21,665
Service Learning Scholarship	50	-	-	-	50
Football Fundraisers	778	11,039	11,806	-	11
Volleyball Fundraisers	2,246	7,363	8,878	-	731
Cheerleading Fund	-	3,370	-	-	3,370
Baseball Fund	-	1,514	1,059	-	455
Wrestling Mats	-	-	-1,000	-	1,000

## Dike-New Hartford Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Intra- Fund Transfers	Balance End of Year
Cross County Fundraisers	\$ 906	\$ 2,835	\$ 2,202	\$ -	\$ 1,539
Boys Track Fundraisers	1,104	1,608	1,265	-	1,447
Wrestling Fundraisers	717	5,503	4,995	-	1,225
Baseball/Softball lights	3,500	-	-	-	3,500
Boys Basketball Fundraisers	662	1,580	1,477	-	765
Girls Basketball Fundraisers	1,413	1,632	2,012	-	1,033
Softball Fundraisers	445	2,202	1,324	-	1,323
Sound system	235	-	-700	-	935
Bleachers	11,000	-	-2,600	-	13,600
JH Trip	1,388	7,369	7,519	-	1,238
Total	\$ 139,646	\$ 247,832	\$ 239,934	\$ -	\$ 147,544

## Dike-New Hartford Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	2006	2005	2004	2003
Revenues:				
Local Sources:				
Local tax	\$ 2,722,300	\$ 2,488,099	\$ 2,247,405	\$ 2,242,402
Tuition	226,198	217,634	162,031	146,229
Other	477,631	427,357	427,722	364,523
Intermediate sources	-	-	-	-
State sources	3,505,560	3,365,191	2,967,144	3,093,881
Federal sources	135,423	146,406	111,185	102,216
Total	\$ 7,067,112	\$ 6,644,687	\$ 5,915,487	\$ 5,949,251
Expenditures:				
Instruction:				
Regular instruction	\$ 2,847,000	\$ 2,643,861	\$ 2,612,838	\$ 2,646,573
Special instruction	716,836	769,512	770,373	748,088
Other instruction	736,740	686,579	632,666	546,948
Support services:				
Student services	135,738	142,251	125,028	133,914
Instructional staff services	259,327	218,725	141,705	173,370
Administrative services	919,135	615,689	609,410	578,948
Operation and maintenance of plant services	549,478	495,048	479,204	418,167
Transportation services	345,862	323,875	302,886	265,706
Central support services	-	-	3,082	6,324
Non-instructional programs	4,246	6,194	3,077	2,900
Other expenditures:				
Facilities acquisition	61,639	58,010	68,251	33,826
Long-term debt:				
Principal	80,000	80,000	75,000	885,000
Interest and other charges	20,722	21,528	29,172	59,060
AEA flow-through	239,746	231,860	221,107	236,459
Total	\$ 6,916,469	\$ 6,293,132	\$ 6,073,799	\$ 6,735,283

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in Accordance  
with Government Auditing Standards**

Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Dike-New Hartford Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Dike-New Hartford Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated August 11, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Dike-New Hartford Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether Dike-New Hartford Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance that are described in Part II the accompanying Schedule of Findings.



Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Dike-New Hartford Community School District and other parties to whom Dike-New Hartford Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Dike-New Hartford Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.



Keith Oltrogge  
Certified Public Accountant

August 11, 2006

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

No matters were reported.

**Dike-New Hartford Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part II - Other Findings Related to Statutory Reporting:**

II-A-06 Certified Budget – Expenditures for the year ended June 30, 2006 exceeded the certified budget amount in the support services function.

Recommendation – The certified budget should have been amended in accordance with Chapter 24.9 of the Code of Iowa before expenditures were allowed to exceed the budget.

Response – Future budgets will be amended in sufficient amounts to ensure the certified budget is not exceeded.

Conclusion – Response accepted.

II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.

II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.

II-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.

II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.

II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.

II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.

II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.

II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely.